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TO AMEMBASSY SINGAPORE

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SUBJECT: CIVAIR: U.S.-SINGAPORE NEGOTIATIONS

REF : SINGAPORE 3600

1. SUMMARY: U.S.-SINGAPORE CIVAIR NEGOTIATIONS IN WASHINGTON, AUGUST 9-11, CONTINUED TO BE STALEMATED OVER EXCHANGE OF ROUTE RIGHTS. HOWEVER, PROGRESS WAS MADE IN ACHIEVING GREATER CLARIFICATION REGARDING LIMITATIONS ON WHAT ROUTES U.S. CAN OFFER TO SIA. SINGAPORE DELEGATION (SDEL), WHILE REQUESTING AN EXTENSIVE LIST OF ROUTE RIGHTS, MOVED AWAY FROM INSISTENCE ON JAPAN. FOR ITS PART, THE U.S. DELEGATION (USDEL) MADE CONSIDERABLE EFFORT TO DEVELOP ROUTE PACKAGE THAT WOULD BE ACCEPTABLE TO BOTH COUNTRIES. HOPEFULLY, THESE MEETINGS LAID GROUNDWORK FOR MORE TANGIBLE PROGRESS IN THE NEXT ROUND OF TALKS. THESE PROBABLY WILL BE HELD IN SINGAPORE EARLY IN 1977. AT NO TIME DURING THE TALKS DID SDEL INDICATE OR INFER THAT PAA'S OPERATING

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PERMIT WAS IN JEOPARDY.END SUMMARY.

2. FIFTH ROUND OF U.S.-SINGAPORE CIVIL AIR NEGOTIATIONS WAS HELD IN WASHINGTON, AUGUST 9-11. WITH MINIMUM OF PRELIMINARIES, NEGOTIATIONS MOVED DIRECTLY TO DISCUSSION OF ROUTE RIGHTS. AS IN PAST TALKS, DISCUSSION DURING THE THREE DAYS CENTERED PRIMARILY ON RIGHTS FOR THE SINGAPORE AIRLINE, SIA. SDEL INITIALLY PROPOSED AN EXTENSIVE LIST OF POINTS FOR SIA, I.E., FROM SINGAPORE VIA INTERMEDIATE POINTS - BANGKOK, MANILA, HONG KONG, TAIPEI, SEOUL, TOKYO AND OSAKA (BOTH JAPANESE POINTS EVENTUALLY REQUESTED WITHOUT TRAFFIC RIGHTS - TO TERMINAL U.S. POINTS - GUAM, HONOLULU, SAN FRANCISCO, LOS ANGELES AND SEATTLE. THEY SAID THAT, IN THE FIRST OPERATIONAL YEAR, SIA PLANNED THREE FLIGHTS PER WEEK OF COMBINED PASSENGER/CARGO SERVICE AND ONE FLIGHT PER WEEK, ALL CARGO.

3. COMMENTING ON THE SINGAPORE PROPOSAL, USDEL SAID THAT NEITHER JAPAN, WITH OR WITHOUT TRAFFIC, NOR U.S. WEST COAST POINTS COULD NOT BE INCLUDED IN SIA ROUTE. THE U.S.' INITIAL COUNTERPROPOSAL ON THE SIA ROUTE REFLECTED THESE LIMITATIONS, OFFERING ONLY GUAM AND HONOLULU WITH NO INTERMEDIATE POINTS TO SINGAPORE. ALTHOUGH USDEL SUPPORTED ITS PROPOSAL BY ELABORATING ON IMPORTANCE OF HONOLULU AS U.S. GATEWAY AND HOW ROUTE MEET SINGAPORE'S DESIRE FOR A ROUTE TO U.S., SDEL VIEWED WITH DISMAY ELIMINATION OF BOTH JAPAN (EVEN WITHOUT TRAFFIC RIGHTS) AND THE WEST COAST. THEY SAID THE NON-TRAFFIC STOP IN JAPAN WAS OF GREAT OPERATIONAL IMPORTANCE AND QUESTIONED IF ANY OTHER AIRLINE WAS STOPPED AT HONOLULU. THEY NOTED THAT THE U.S. OFFER, IF ACCEPTED, WOULD GREATLY LIMIT BENEFITS EITHER SIDE WOULD DERIVE FROM AGREEMENT.

4. USDEL SAW SINGAPORE'S INITIAL PROPOSAL AS FAR TOO EXTENSIVE AND URGED SDEL TO REDUCE IT TO LOWEST ACCEPTABLE LEVEL. THIS RESULTED IN SDEL'S SECOND PROPOSAL: FROM SINGAPORE VIA 4 INTERMEDIATE POINTS AT BANGKOK, HONG KONG, TAIPEI, AND SEOUL TO GUAM, HONOLULU AND LOS ANGELES OR SAN FRANCISCO. USDEL STILL FOUND THIS TOO BROAD AND PRESENTED A NEW COUNTER OFFER: FROM SINGAPORE LIMITED OFFICIAL USE

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VIA ONE INTERMEDIATE POINT SELECTED FROM ONE OF THE FOLLOWING POINTS: BANGKOK, MANILA OR TAIPEI - TO GUAM AND HONOLULU. IT ALSO PROPOSED CONSIDERATION OF ONE YEAR REVIEW OF THE ROUTES WITH VIEW TOWARD CONSIDERING POINT ON WEST COAST AT THAT TIME. SEOUL WAS ADDED TO LIST OF INTERMEDIATE POINTS UPON REQUEST BY SDEL.

5. AT THIS TIME, USDEL SAID IT EXPECTED THAT ANY

AGREEMENT WOULD PROVIDE FOR (A) ELIMINATION OF RESTRICTIONS ON U.S. AIRLINES REGARDING BEYOND TRAFFIC RIGHTS AND TRAFFIC INITIATING IN THIRD COUNTRIES (FIFTH FREEDOM TRAFFIC); (B) ADDITIONAL DESIGNATION OF U.S. ALL CARGO CARRIER; (C) PRIOR APPROVAL OF FREQUENCIES BY ANY OF THE AIRLINES BEYOND THREE; AND (D) RESERVATION OF U.S. CARRIERS' RIGHT TO DISSENT TO USE GOS GROUND HANDLING

MONOPOLY.

6. ALSO AT THIS TIME, USDEL PRESENTED ITS ROUTE REQUEST FOR ITS OWN AIRLINES: FROM U.S. VIA POINTS IN PHILIPPINES AND MALAYSIA TO SINGAPORE AND BEYOND TO INDONESIA. HOWEVER, AS MENTIONED IN PARA 2, LITTLE DISCUSSION WAS GENERATED BY THE U.S. REQUESTS OUTLINED IN PARAS 5 AND 6.

7. SDEL VIEWED NEW U.S. OFFER ON SIA ROUTES (ONE INTERMEDIATE POINT AND GUAM AND HONOLULU) AS STILL BELOW ACCEPTABLE MINIMUM AND SUGGESTED TALKS BE CONCLUDED. HOWEVER, IN EFFORT TO OBTAIN AGREEMENT, USDEL FLOATED FURTHER OFFER WHICH WENT SOMEWHAT BEYOND ITS INSTRUCTIONS; I.E., ADDITIONAL INTERMEDIATE POINT FROM THE FOUR NOTED ABOVE. IT WAS EXPLAINED THAT, ALTHOUGH USDEL COULD NOT GUARANTEE ACCEPTANCE OF PROPOSAL BY U.S. CIVAIR AUTHORITIES, IF IT WAS ACCEPTABLE TO SDEL, USDEL WOULD STRONGLY SUPPORT ITS APPROVAL BY USG TO SDEL'S REPLY THAT THREE INTERMEDIATE POINTS WAS MINIMUM IT COULD ACCEPT. USDEL AGAIN WENT BEYOND ITS INSTRUCTIONS AND OFFERED THREE INTERMEDIATE POINTS FOR CONSIDERATION BUT WITH STIPULATION THAT ONE WOULD BE A NON-TRAFFIC POINT.

8. THIS LED SDEL TO QUESTION WHY HONG KONG WAS NOT LIMITED OFFICIAL USE

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INCLUDED ON U.S. LIST OF INTERMEDIATE POINTS. USDEL EXPLAINED HONG KONG PRESENTED PARTICULAR PROBLEM FOR U.S. BECAUSE U.S. AIRLINES GENERALLY OPPOSED ITS OFFER TO SINGAPORE AND CURRENT U.S.-U.K. DISCUSSIONS MADE CONTINUATION OF FULL U.S. UTILIZATION TO THAT POINT QUESTIONABLE. HOWEVER, AFTER DISCUSSION, USDEL AGREED TO INCLUDE HONG KONG, OR ONE OTHER 3RD POINT BUT ONLY AS A NON-TRAFFIC POINT AMONG THE THREE INTERMEDIATE POINTS OF ITS LATEST PROPOSAL. IT ALSO SUGGESTED THAT SDEL CONSIDER POSSIBLE VALUE OF ONE/TWO YEAR AGREEMENT WHICH WOULD INSURE TIMELY REVIEW OF ROUTES BY AUTHORITIES REGARDING CONSIDERATION OF SIA TO WEST COAST.

9. IN SPITE OF CONSIDERABLE EFFORT BY USDEL TO SATISFY SINGAPORE DEMANDS, SDEL FINALLY SAID IT COULD NOT

ACCEPT OUR LAST PROPOSALS AND SUGGESTED THAT PRESENT TALKS BE RECESSED AND NEW TALKS BE HELD WITHIN THREE MONTHS.

10. MEMORANDUM OF CONSULTATION WAS SIGNED BY BOTH DELEGATION CHAIRMEN SIMPLY STATING THAT DELEGATIONS MET IN WASHINGTON FROM AUGUST 9 TO 11; THAT NO AGREEMENT WAS REACHED; AND THAT NEGOTIATIONS WOULD BE RESUMED IN APPROXIMATELY THREE MONTHS IN SINGAPORE. FYI: ALTHOUGH

MEMO STATES THREE MONTHS, IT WAS CLEARLY UNDERSTOOD BY SDEL THAT, BECAUSE OF U.K. AND JAPAN CIVAIR NEGOTIATIONS, MORE LIKELY TALKS WOULD BE HELD IN SINGAPORE IN SIX MONTHS.

11. COMMENT: U.S. OFFER OF ONE INTERMEDIATE POINT AND GUAM AND HONOLULU REFLECTS, IN GENERAL TERMS, THE LEVEL OF INTEREST HELD BY PAN AM AND FLYING TIGER IN OPERATION INTO SINGAPORE. VALUABLE RIGHTS TO JAPAN AND WEST COAST WERE WITHHELD NOT ONLY BECAUSE THEY ARE OF GREATER ECONOMIC VALUE COMPARED TO THAT WHICH SINGAPORE HAS TO OFFER BUT ALSO BECAUSE SERVICE TO THOSE POINTS ALREADY SUFFERS FROM SEVERE COMPETITION AND ADDED PRESENCE OF AGGRESSIVE SIA WOULD ONLY INCREASE THIS PROBLEM. HOWEVER, WITHIN THESE IMPOSED LIMITATIONS, USDEL TRIED VIGOROUSLY TO SUGGEST SUITABLE ROUTE ARRANGEMENT WHICH LIMITED OFFICIAL USE

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WOULD SATISFY SINGAPORE'S DEMANDS. ALTHOUGH IT WAS NOT SUCCESSFUL, THE USDEL CLEARLY MAINTAINED FLEXIBLE, POSITIVE POSITION AND MADE CONSIDERABLE EFFORT TO EXPLORE, EVEN BEYOND ITS INSTRUCTIONS, POSSIBLE SOLUTIONS TO THE ROUTE EXCHANGE PROBLEM.

12. ACTION REQUESTED: BECAUSE OF SDEL'S RELUCTANCE TO INCLUDE U.S. OFFERS REGARDING SIA ROUTES IN MEMORANDUM OF CONSULTATIONS, EMBASSY IS REQUESTED TO ADVISE MINISTRY FOREIGN AFFAIRS ON AN INFORMAL BASIS, TO VERBALLY DESCRIBE OFFERS MADE BY USDEL DURING NEGOTIATIONS, AND EXTENT TO WHICH USDEL IMPROVED ITS OFFER ALSO SUGGEST PER REFTEL THAT, SINGAPORE CIVAIR AUTHORITIES MIGHT WISH TO CONSTRAIN SIA'S EXCESSIVE DEMANDS, EVEN TO THE EXTENT OF HAVING AN INDEPENDENT CONSULTANT TO VERIFY SIA COST/REVENUE ESTIMATES AND FEASIBILITY STUDIES. ROBINSON

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